

**CITY OF MACKINAC ISLAND
MACKINAC ISLAND, MICHIGAN**

FINANCIAL STATEMENTS

MARCH 31, 2008



REHMANN ROBSON

Certified Public Accountants

CITY OF MACKINAC ISLAND

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INDEPENDENT AUDITORS' REPORT

September 30, 2008

Members of the City Council
City of Mackinac Island
Mackinac Island, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the ***City of Mackinac Island***, (the "City") as of and for the year ended March 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the **City of Mackinac Island** (the "City") we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended March 31, 2008.

Financial Highlights

- The total assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$16,016,183 (*net assets*). Of this amount, \$1,090,586 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$345,474.
- The City sold the Rowe House Condo #1 at a net gain of \$220,801.
- The City repaid approximately \$241,794 of long-term debt during the current year. In addition, the City financed the amounts incurred in fiscal 2007 for the membrane replacement project in the amount of \$329,500.
- At the end of the current fiscal year, unreserved and undesignated fund balance for the General Fund was \$482,046, or 27% of total General Fund expenditures and transfers out.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges for services (*business-type activities*). The governmental activities of the City include general government, public safety, public works, highways and streets, health and welfare, and recreation and culture. The business-type activities of the City include water and sewer and landfill.

The government-wide financial statements can be found on pages 11-12 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 11 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund which is considered to be the major fund. Data from the other 10 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund and special revenue funds. Budgetary comparison statements have been provided herein to demonstrate compliance with the General Fund budget.

The basic governmental funds financial statements can be found on pages 13-17 of this report.

Proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its water, sewer and landfill operations.

The basic proprietary fund financial statements can be found on pages 18-21 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 22 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-39 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes. Combining and individual fund statements and schedules can be found on pages 40-51 of this report.

Government-wide Financial Analysis - Primary Government

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$16,016,183 at the close of fiscal 2008.

A large portion of the City's net assets (85.7%) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment, water and sewer systems, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (7.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (7.0%) may be used to meet the government's ongoing obligations to citizens and creditors.

City of Mackinac Island Condensed Statement of Net Assets March 31, 2008

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Assets						
Cash and other assets	\$ 1,384,528	\$ 1,111,944	\$ 1,155,186	\$ 724,067	\$ 2,539,714	\$ 1,836,011
Capital assets, net of accumulated depreciation	<u>5,476,753</u>	<u>5,400,505</u>	<u>11,908,830</u>	<u>12,501,119</u>	<u>17,385,583</u>	<u>17,901,624</u>
Total assets	<u>6,861,281</u>	<u>6,512,449</u>	<u>13,064,016</u>	<u>13,225,186</u>	<u>19,925,297</u>	<u>19,737,635</u>

City of Mackinac Island
Condensed Statement of Net Assets
March 31, 2008 (Concluded)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Liabilities						
Current and other liabilities	\$ 201,104	\$ 174,762	\$ 300,868	\$ 505,636	\$ 501,972	\$ 680,398
Long-term debt, net of current portion	<u>310,756</u>	<u>431,453</u>	<u>3,096,386</u>	<u>2,835,000</u>	<u>3,407,142</u>	<u>3,266,453</u>
Total liabilities	<u>511,860</u>	<u>606,215</u>	<u>3,397,254</u>	<u>3,340,636</u>	<u>3,909,114</u>	<u>3,946,851</u>
Net assets						
Invested in capital assets, net of related debt	5,071,466	4,876,259	8,669,020	9,581,119	13,740,486	14,457,378
Restricted	338,618	300,205	846,493	303,431	1,185,111	603,636
Unrestricted	<u>939,337</u>	<u>729,770</u>	<u>151,249</u>	<u>-</u>	<u>1,090,586</u>	<u>729,770</u>
Total net assets	<u>\$ 6,349,421</u>	<u>\$ 5,906,234</u>	<u>\$ 9,666,762</u>	<u>\$ 9,884,550</u>	<u>\$16,016,183</u>	<u>\$15,790,784</u>

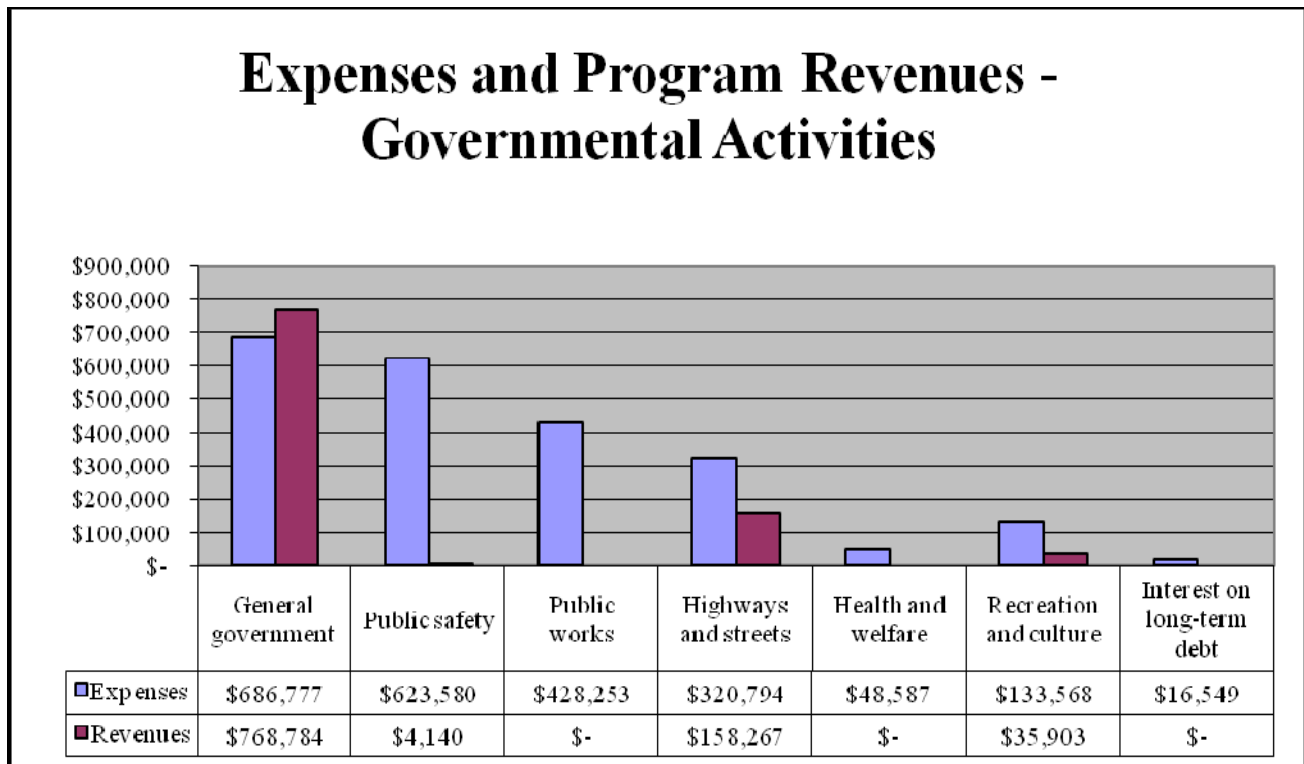
City of Mackinac Island
Condensed Statement of Changes in Net Assets
For the Year Ended March 31, 2008

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues						
Program revenues						
Charges for services	\$ 551,075	\$ 522,071	\$ 2,318,384	\$ 2,229,059	\$ 2,869,459	\$ 2,751,130
Operating grants and contributions	370,389	342,210	-	-	370,389	342,210
Capital grants and contributions	-	30,760	-	-	-	30,760
General revenues						
Property taxes	1,513,400	1,437,538	-	-	1,513,400	1,437,538
Gain on sale of property	220,801	-	-	-	220,801	-
Other	<u>45,630</u>	<u>47,431</u>	<u>76,814</u>	<u>224,360</u>	<u>122,444</u>	<u>271,791</u>
Total revenues	<u>2,701,295</u>	<u>2,380,010</u>	<u>2,395,198</u>	<u>2,453,419</u>	<u>5,096,493</u>	<u>4,833,429</u>
Expenses						
General government	686,777	796,040	-	-	686,777	796,040
Public safety	623,580	644,992	-	-	623,580	644,992
Public works	428,253	328,767	-	-	428,253	328,767
Highways and streets	320,794	308,338	-	-	320,794	308,338
Health and welfare	48,587	53,335	-	-	48,587	53,335
Recreation and culture	133,568	103,927	-	-	133,568	103,927
Interest on long-term debt	16,549	25,668	-	-	16,549	25,668
DPW	<u>-</u>	<u>-</u>	<u>2,492,911</u>	<u>2,580,958</u>	<u>2,492,911</u>	<u>2,580,958</u>
Total expenses	<u>2,258,108</u>	<u>2,261,067</u>	<u>2,492,911</u>	<u>2,580,958</u>	<u>4,751,019</u>	<u>4,842,025</u>

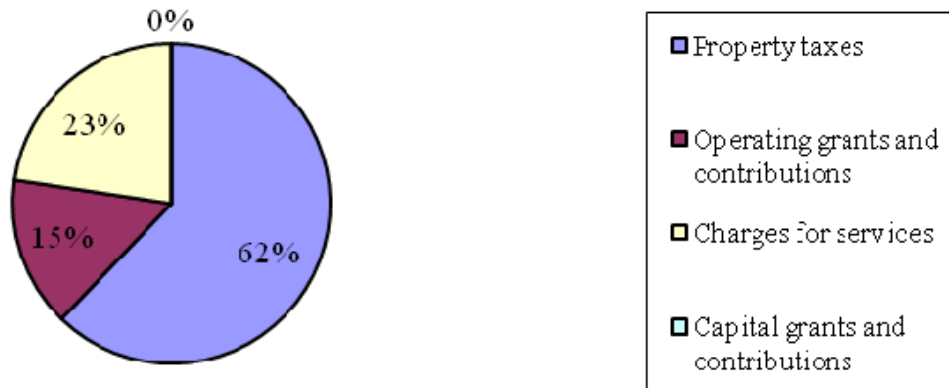
City of Mackinac Island
Condensed Statement of Changes in Net Assets
For the Year Ended March 31, 2008 (Concluded)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Change in net assets	\$ 443,187	\$ 118,943	\$ (97,713)	\$ (127,539)	\$ 345,474	\$ (8,596)
Net assets,						
beginning of year	5,906,234	5,787,291	9,884,550	10,012,089	15,790,784	15,799,380
Prior Period Adjustment	-	-	(120,075)	-	(120,075)	-
Net assets, beginning of year, restated	<u>5,906,234</u>	<u>5,787,291</u>	<u>9,764,475</u>	<u>10,012,089</u>	<u>15,670,709</u>	<u>15,799,380</u>
Net assets, end of year	<u>\$ 6,349,421</u>	<u>\$ 5,906,234</u>	<u>\$ 9,666,762</u>	<u>\$ 9,884,550</u>	<u>\$16,016,183</u>	<u>\$15,790,784</u>

Governmental activities. Governmental activities increased the City's net assets by \$443,187 compared to \$118,943 in 2007. Most of this increase is attributable to the gain on sale of property.

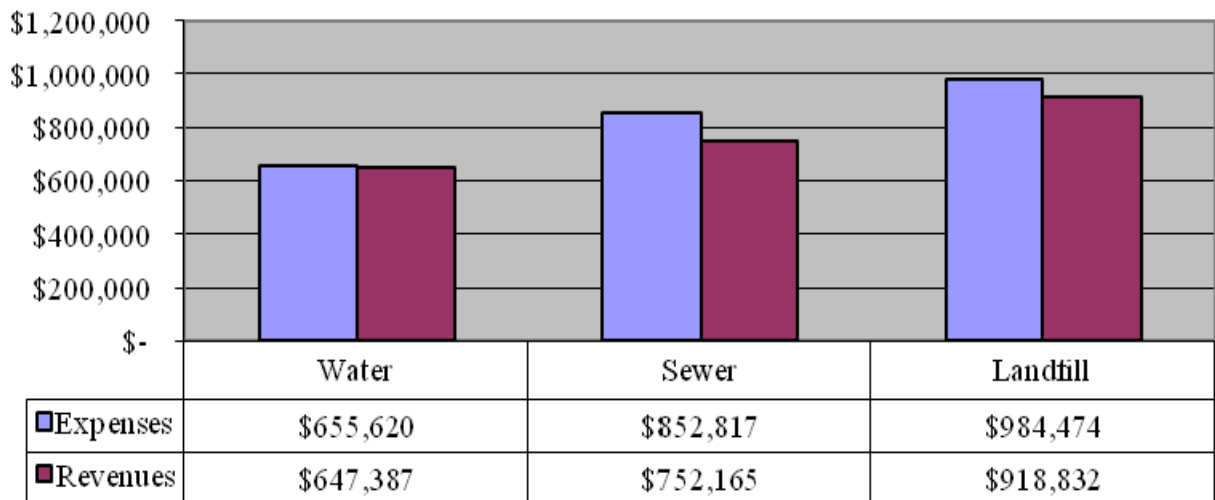


Revenues by Source - Governmental Activities



Business-type activities. Business-type activities decreased the City's net assets by \$97,713 (\$127,539 in 2007). This decrease is less than the prior year decrease in net assets which is mainly attributable to the increase in user fees over fiscal 2007. Rate increases beginning in fiscal 2007 combined with a one mill allocation to enterprise fund revenues have been implemented to further reduce these decreases in net assets.

Expenses and Program Revenues - Business-type Activities



Substantially all revenues for the business-type activities resulted from charges for services.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the fiscal year 2008, the City's governmental funds reported combined ending fund balances of \$1,307,089, an increase of \$244,043. *Unreserved fund balance* of \$968,471 is available for spending at the City's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed.

Proprietary funds. The City's *proprietary funds* provide the same type of information found in the government-wide financial statements, but in more detail.

The DPW had \$151,249 in unrestricted net assets as of March 31, 2008. The DPW had a decrease in net assets for the year of \$97,713. Factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

Budgetary Highlights

General Fund. During the year, General Fund revenues as well as expenditures were under budgeted amounts. The end result was an increase of fund balance of \$273,392 compared to a budgeted increase of zero. The original budget was amended mainly to reflect revenue from the sale of property and revenue from certain local grants received. The related uses of these funds were not all expended in fiscal 2008, resulting in the other functions, public safety and public works functions being under budget by approximately \$182,000, \$62,000 and \$32,000, respectively.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of March 31, 2008, amounted to \$17,385,583 (net of accumulated depreciation). This investment in capital assets includes land, improvements, buildings, infrastructure, water and sewer system, vehicles and equipment.

Additional information on the City's capital assets can be found in Note 3C on pages 31-32 of this report.

The City purchased \$499,538 in capital asset additions during the year ended March 31, 2008 including improvements to St. Martin's Place of \$195,679, Market and Annex Street improvements of \$105,308, the purchase of a tractor for \$127,000, the purchase of a forklift truck for \$17,195, and miscellaneous other additions.

Long-term debt. At March 31, 2008, the City had total debt outstanding of \$3,670,642. Of this amount, \$635,642 is comprised of debt backed by the full faith and credit of the City. The remainder of the City's bonded debt represents bonds secured solely by specified revenue sources.

On May 4, 2007, the City entered into an Installment Purchase Agreement of \$329,500 to settle the costs of the Membrane Replacement Project. The cost of the project was incurred and the related amount due were reported in Accounts Payable in the Department of Public Works Enterprise Fund at March 31, 2007. The Installment Purchase Agreement issued pursuant to the provisions of Act 99, Public Acts of Michigan, requires monthly payment of \$4,070 beginning June 2007, including interest charged at 4.35% with the final installment due in May 2015.

Additional information on the City's long-term debt can be found in Note 3F on pages 35-37 of this report.

Economic Factors and Fiscal 2007-2008 Budgets and Rates

The following factors were considered in preparing the City's budget for the 2007-08 fiscal year:

- Water and sewer rate increases of 6% on June 1, 2008 to offset previous operating losses.
- Routine increases in taxable valuation of property.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Mayor's Assistant, PO Box 455, Mackinac Island, Michigan 49757.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF MACKINAC ISLAND

STATEMENT OF NET ASSETS

MARCH 31, 2008

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,067,314	\$ 15,710	\$ 1,083,024
Receivables, net	84,897	309,244	394,141
Internal balances	16,261	(16,261)	-
Restricted cash	81,699	846,493	928,192
Restricted investments	134,357	-	134,357
Capital assets not being depreciated	18,180	-	18,180
Capital assets being depreciated, net	5,458,573	11,908,830	17,367,403
Total assets	6,861,281	13,064,016	19,925,297
Liabilities			
Accounts payable and accrued expenses	81,028	157,444	238,472
Long-term liabilities			
Due within one year	120,076	143,424	263,500
Due in more than one year	310,756	3,096,386	3,407,142
Total liabilities	511,860	3,397,254	3,909,114
Net assets			
Invested in capital assets, net of related debt	5,071,466	8,669,020	13,740,486
Restricted			
Perpetual care	168,829	-	168,829
Capital improvements	100,387	231,670	332,057
Debt service	69,402	614,823	684,225
Unrestricted	939,337	151,249	1,090,586
Total net assets	\$ 6,349,421	\$ 9,666,762	\$ 16,016,183

The accompanying notes are an integral part of these financial statements.

CITY OF MACKINAC ISLAND

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED MARCH 31, 2008

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental activities			
General government	\$ 686,777	\$ 541,213	\$ 181,941
Public safety	623,580	-	4,140
Public works	428,253	-	-
Highways and streets	320,794	-	158,267
Health and welfare	48,587	-	-
Recreation and culture	133,568	9,862	26,041
Interest on long-term debt	16,549	-	-
Total governmental activities	2,258,108	551,075	370,389
Business-type activities			
Department of Public Works			
Water	655,620	647,387	-
Sewer	852,817	752,165	-
Landfill	984,474	918,832	-
Total business-type activities	2,492,911	2,318,384	-
Total	\$ 4,751,019	\$ 2,869,459	\$ 370,389

General revenues

Property taxes
Gain on sale of property
Other

Total general revenues

Change in net assets

Net assets, beginning of year
Prior period adjustment

Net assets, beginning of year, restated

Net assets, end of year

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-type Activities	Total
\$ 36,377	\$ -	\$ 36,377
(619,440)	-	(619,440)
(428,253)	-	(428,253)
(162,527)	-	(162,527)
(48,587)	-	(48,587)
(97,665)	-	(97,665)
(16,549)	-	(16,549)
(1,336,644)	-	(1,336,644)
-	(8,233)	(8,233)
-	(100,652)	(100,652)
-	(65,642)	(65,642)
-	(174,527)	(174,527)
(1,336,644)	(174,527)	(1,511,171)
1,513,400	-	1,513,400
220,801	-	220,801
45,630	76,814	122,444
1,779,831	76,814	1,856,645
443,187	(97,713)	345,474
5,906,234	9,884,550	15,790,784
-	(120,075)	(120,075)
5,906,234	9,764,475	15,670,709
\$ 6,349,421	\$ 9,666,762	\$ 16,016,183

FUND FINANCIAL STATEMENTS

CITY OF MACKINAC ISLAND

BALANCE SHEET GOVERNMENTAL FUNDS

MARCH 31, 2008

	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 470,487	\$ 596,827	\$ 1,067,314
Taxes receivable	69,662	4,559	74,221
Due from other funds	18,232	2,644	20,876
Restricted cash and cash equivalents	-	81,699	81,699
Restricted investments	-	134,357	134,357
Total assets	\$ 564,442	\$ 824,701	\$ 1,389,143
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 62,431	\$ 47	\$ 62,478
Accrued expenses	12,365	2,596	14,961
Due to other funds	-	4,615	4,615
Total liabilities	74,796	7,258	82,054
Fund balances			
Reserved			
Capital outlay	-	100,387	100,387
Debt service	-	69,402	69,402
Perpetual care	-	168,829	168,829
Unreserved			
Designated			
Capital outlay	7,600	452,431	460,031
Undesignated	482,046	-	482,046
Undesignated, reported in nonmajor			
Special revenue funds	-	26,394	26,394
Total fund balances	489,646	817,443	1,307,089
Total liabilities and fund balances	\$ 564,442	\$ 824,701	\$ 1,389,143

Continued...

CITY OF MACKINAC ISLAND

BALANCE SHEET GOVERNMENTAL FUNDS

MARCH 31, 2008

Reconciliation of fund balances on the balance sheet for governmental activities to the statement of net assets

Fund balances - total governmental funds	\$ 1,307,089
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.

Add: capital assets	7,599,276
Subtract: accumulated depreciation	(2,122,523)

Certain liabilities are not due and payable in the current period, and therefore are not reported in the funds.

Subtract: bonds and notes payable	(405,287)
Subtract: compensated absences	(25,545)
Subtract: accrued interest on long-term liabilities	(3,589)

Net assets of governmental activities	<u>\$ 6,349,421</u>
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Concluded

The accompanying notes are an integral part of these financial statements.

CITY OF MACKINAC ISLAND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED MARCH 31, 2008

	General	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 1,411,622	\$ 101,778	\$ 1,513,400
Licenses and permits	475,201	-	475,201
Federal revenue	-	1,008	1,008
State revenue	43,415	158,643	202,058
Charges for services	-	41,154	41,154
Fines and forfeits	2,250	6,567	8,817
Rents and royalties	31,418	-	31,418
Interest and dividends	23,587	36,886	60,473
Contributions	22,345	10,643	32,988
Miscellaneous	136,322	-	136,322
Total revenues	2,146,160	356,679	2,502,839
Expenditures			
Legislative	50,311	-	50,311
General government	386,973	13,052	400,025
Public safety	609,840	-	609,840
Public works	505,378	404,475	909,853
Culture and recreation	54,305	58,465	112,770
Other functions	189,066	-	189,066
Capital improvements	-	105,308	105,308
Debt service			
Principal payments	-	118,959	118,959
Interest and paying agent fees	-	19,865	19,865
Total expenditures	1,795,873	720,124	2,515,997
Revenues over (under) expenditures	350,287	(363,445)	(13,158)
Other financing sources (uses)			
Proceeds from sale of real property	257,201	-	257,201
Transfers in	-	357,616	357,616
Transfers out	(334,096)	(23,520)	(357,616)
Total other financing (uses) sources	(76,895)	334,096	257,201
Net change in fund balance	273,392	(29,349)	244,043
Fund balances, beginning of year	216,254	846,792	1,063,046
Fund balances, end of year	\$ 489,646	\$ 817,443	\$ 1,307,089

Continued...

CITY OF MACKINAC ISLAND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2008

**Reconciliation of statement of revenues, expenditures and changes in fund balances
of governmental funds to statement of activities**

Net change in fund balances - total governmental funds	\$ 244,043
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: assets capitalized during current year	330,803
Subtract: adjustment to disposal of property	(36,400)
Subtract: depreciation expense	(218,155)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the statement of net assets .

Add: principal payments on long-term liabilities	118,959
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Subtract: increase in accrued interest on bonds	3,316
Subtract: increase in the accrual of compensated absences	621

Change in net assets of governmental activities	<u>\$ 443,187</u>
--	--------------------------

Concluded

The accompanying notes are an integral part of these financial statements.

CITY OF MACKINAC ISLAND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND

FOR THE YEAR ENDED MARCH 31, 2008

	Original Budget	Final Amended Budget	Actual	Variance With Final Amended Budget Positive (Negative)
Revenues				
Taxes	\$ 1,458,985	\$ 1,407,761	\$ 1,411,622	\$ 3,861
Licenses and permits	442,025	473,348	475,201	1,853
State revenues	43,000	43,415	43,415	-
Fines and forfeits	2,000	1,969	2,250	281
Rents and royalties	25,000	29,960	31,418	1,458
Interest and dividends	25,000	21,000	23,587	2,587
Contributions	5,000	11,061	22,345	11,284
Sale of real property	-	280,843	257,201	(23,642)
Miscellaneous	84,500	140,950	136,322	(4,628)
Total revenues	2,085,510	2,410,307	2,403,361	(6,946)
Expenditures				
Legislative	49,900	51,736	50,311	1,425
General government	371,121	386,038	386,973	(935)
Public safety	609,100	671,622	609,840	61,782
Public works	375,295	537,642	505,378	32,264
Culture and recreation	52,087	54,479	54,305	174
Other functions	232,421	370,666	189,066	181,600
Total expenditures	1,689,924	2,072,183	1,795,873	276,310
Revenues over expenditures	395,586	338,124	607,488	269,364
Transfers				
Transfers out	(395,586)	(338,124)	(334,096)	4,028
Net change in fund balance	-	-	273,392	273,392
Fund balances, beginning of year	216,254	216,254	216,254	-
Fund balances, end of year	\$ 216,254	\$ 216,254	\$ 489,646	\$ 273,392

The accompanying notes are an integral part of these financial statements.

CITY OF MACKINAC ISLAND
STATEMENT OF NET ASSETS
PROPRIETARY FUND
DEPARTMENT OF PUBLIC WORKS ENTERPRISE FUND
MARCH 31, 2008

Assets

Current assets

Cash and cash equivalents	\$ 15,710
Taxes receivable	8,259
Accounts receivable	<u>104,767</u>

Total current assets	<u>128,736</u>
-----------------------------	-----------------------

Noncurrent assets

Restricted cash	846,493
Accounts receivable, noncurrent	196,218
Property, plant and equipment, net of accumulated depreciation	<u>11,908,830</u>

Total noncurrent assets	<u>12,951,541</u>
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Total assets	<u>13,080,277</u>
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Liabilities

Current liabilities

Accounts payable	135,566
Accrued expenses	21,878
Due to other funds	16,261
Note payable	53,424
Bonds payable	<u>90,000</u>

Total current liabilities	317,129
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Long-term debt

Bonds payable (net of current portion)	2,745,000
Note payable (net of current portion)	<u>351,386</u>

Total long-term debt	<u>3,096,386</u>
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Total liabilities	<u>3,413,515</u>
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Net assets

Invested in capital assets, net of related debt	8,669,020
Restricted	
Capital improvements	231,670
Debt service	614,823
Unrestricted	<u>151,249</u>

Total net assets	<u>\$ 9,666,762</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF MACKINAC ISLAND

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS - PROPRIETARY FUND
DEPARTMENT OF PUBLIC WORKS ENTERPRISE FUND

FOR THE YEAR ENDED MARCH 31, 2008

Operating revenues	
Charges for services	\$ 1,019,065
Charges for services pledged as security for revenue bonds	<u>1,328,023</u>
Total operating revenues	<u>2,347,088</u>
Operating expenses	
Landfill	982,437
Sewer	729,795
Water	<u>625,810</u>
Total operating expenses	<u>2,338,042</u>
Operating income	<u>9,046</u>
Non-operating revenues (expenses)	
Interest revenue	19,430
Interest expense	(154,869)
Other revenue	<u>28,680</u>
Total non-operating expenses	<u>(106,759)</u>
Change in net assets	<u>(97,713)</u>
Net assets, beginning of year	9,884,550
Prior period adjustment	<u>(120,075)</u>
Net assets, beginning of year, as restated	<u>9,764,475</u>
Net assets, end of year	<u><u>\$ 9,666,762</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF MACKINAC ISLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
DEPARTMENT OF PUBLIC WORKS ENTERPRISE FUND
FOR THE YEAR ENDED MARCH 31, 2008

Cash flows from operating activities	
Cash collected from customers	\$ 2,373,103
Cash paid for employee wages and benefits	(602,687)
Cash paid for other operating and administrative expenses	<u>(1,019,532)</u>
Net cash provided by operating activities	<u>750,884</u>
Cash flows from non-capital financing activities	
Other revenue	<u>28,680</u>
Cash flows from capital and related financing activities	
Purchase of property, plant and equipment	(55,590)
Principal paid on note	(37,835)
Principal paid on bonds	(85,000)
Interest paid	<u>(155,187)</u>
Net cash used in capital and related financing activities	<u>(333,612)</u>
Cash flows provided by investing activities	
Interest earnings	<u>19,430</u>
Net increase in cash and cash equivalents	465,382
Cash and cash equivalents, including restricted, beginning of year	<u>396,821</u>
Cash and cash equivalents, including restricted, end of year	862,203
Restricted cash, end of year	<u>846,493</u>
Cash and cash equivalents, end of year	<u>\$ 15,710</u>

Noncash investing and financing activities

The City reclassified \$329,500 from accounts payable to notes payable to reflect the Act 99 financing of the costs of the membrane replacement project.
The City purchased a forklift by the issuance of a John Deere lease payable in the amount of \$113,145.

Continued...

CITY OF MACKINAC ISLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
DEPARTMENT OF PUBLIC WORKS ENTERPRISE FUND
FOR THE YEAR ENDED MARCH 31, 2008

**Reconciliation of operating income to
net cash provided by (used in) operating activities**

Cash flows from operating activities

Operating income	\$ 9,046
Adjustments to reconcile operating income to net cash provided by (used in) operating activities	
Depreciation	640,949
Changes in operating assets and liabilities which provided (used) cash	
Accounts receivable	34,274
Taxes receivable	(8,259)
Accounts payable	56,915
Accrued expenses	9,711
Due to other funds	<u>8,248</u>

Net cash provided by operating activities

\$ 750,884

Concluded

The accompanying notes are an integral part of these financial statements.

CITY OF MACKINAC ISLAND
STATEMENT OF FIDUCIARY NET ASSETS

MARCH 31, 2008

Assets	
Cash and cash equivalents	<u><u>\$ 14,396</u></u>
Liabilities	
Accounts payable	<u><u>\$ 14,396</u></u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF MACKINAC ISLAND

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the *City of Mackinac Island* (the “City”) and its component unit. The component unit discussed below is included in the City’s reporting entity because of the significance of its operational or financial relationship with the City.

Fire Hall Building Authority - The Fire Hall Building Authority is a blended component unit of the City of Mackinac Island.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from the accompanying financial statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements. The fund financial statements provide information about the City’s funds, including its fiduciary funds. Separate statements for each fund category – *governmental*, *proprietary* and *fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The *General Fund*, the major governmental fund, is the City’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Department of Public Works* (the “DPW”), the major enterprise fund, accounts for the activities of the City’s water distribution, water treatment, sewage disposal, sewage treatment systems and landfill.

CITY OF MACKINAC ISLAND

NOTES TO FINANCIAL STATEMENTS

Additionally, the City reports the following fund types:

The *Special Revenue Funds* account for revenue sources that are legally restricted to expenditures for specific purposes not including major capital projects.

The *Debt Service Funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Capital Projects Fund* accounts for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.

The *Permanent Trust Fund* accounts for the resources accumulated and restricted for perpetual care at the City's cemetery.

The *Agency Funds* account for assets held for other governments and employees in an agency capacity.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation.

Government-wide, Proprietary and Fiduciary Fund Financial Statements. The government-wide, proprietary and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized as revenue in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

CITY OF MACKINAC ISLAND

NOTES TO FINANCIAL STATEMENTS

Governmental Fund Financial Statements. Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when both measurable and available. The City considers all revenues reported in the governmental funds to be available if they are collected within sixty (60) days of the end of the current fiscal period. Property taxes, state shared revenue and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases, if any, are reported as other financing sources.

All governmental and business-type activities and enterprise funds of the City follow private-sector standards of accounting and financial reporting issued prior to December 1, 1989, unless those standards conflict with guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds, are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF MACKINAC ISLAND

NOTES TO FINANCIAL STATEMENTS

D. Assets, Liabilities and Net Assets or Equity

1. *Deposits and Investments*

The City maintains a cash pool for substantially all of the City's governmental funds. Each fund's portion of the cash pool is displayed on the statement of net assets/balance sheet as "Cash and cash equivalents". The debt service and trust and agency funds cash resources are invested separately as required by law.

The City's cash and cash equivalents are considered to be cash on hand and demand deposits.

State statutes authorizes the City to deposit in the accounts of federally insured banks, credit unions and savings and loan associations and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

The City's investments during the year consisted of certificate of deposits with original maturities of more than three months.

2. *Receivables and Payables*

All receivables are reported at their gross value.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

3. *Property Taxes*

The City's property taxes are levied each July 1 and December 1 on the taxable valuation of property located in the City as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through February 28; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Mackinac County. Assessed values, as established annually by the City and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value.

Property taxes are recognized in the fiscal year in which they are levied.

CITY OF MACKINAC ISLAND

NOTES TO FINANCIAL STATEMENTS

4. *Restricted Assets*

Certain resources are set aside for repayment of the City's DPW Enterprise Fund revenue bonds, general obligation note payable and capital improvements, and are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants.

5. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, water and wastewater system and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Because the City is considered a phase 3 government for GASB 34 implementation requirements, the City is not required to report infrastructure retrospectively; therefore, the City has elected to report infrastructure retrospectively to the extent that there is related outstanding debt. All future infrastructure will be capitalized.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	15
Buildings and building improvements	35-40
Water and wastewater system infrastructure	7-75
Machinery and equipment	3-40
Infrastructure	40
Book collection	3

CITY OF MACKINAC ISLAND

NOTES TO FINANCIAL STATEMENTS

6. *Long-Term Obligations*

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

In the fund financial statements, governmental funds report the face amount of debt issued as other financing sources.

7. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1) Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, function, department and line item. The legal level of budgetary control adopted by the City Council is the function level which is the level at which expenditures may not exceed appropriations. Budget amendments require the approval of the City Council.

2) Excess of Expenditures Over Appropriations in Budgetary Funds

P.A. 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the City's actual expenditures and budgeted expenditures for the budgetary funds have been shown on the functional basis. The approved budgets of the City for the budgetary funds were adopted at the function level for the General Fund and each special revenue fund.

CITY OF MACKINAC ISLAND

NOTES TO FINANCIAL STATEMENTS

Expenditures in the General Fund in excess of budget are as follows:

	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
General government	\$ 386,038	\$ 386,973	\$ 935

3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Cash and cash equivalents and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets are as follows:

Statement of Net Assets

Cash and cash equivalents	\$ 1,083,024
Restricted cash	928,192
Restricted investments	<u>134,357</u>

Total Statement of Net Assets **2,145,573**

Statement of Fiduciary Net Assets

Cash and cash equivalents	<u>14,396</u>
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Total **\$ 2,159,969**

A reconciliation of cash and investments as shown in the financial statements to the City's deposits and investments is as follows:

Bank deposits (checking accounts, savings accounts and certificates of deposit)	\$ 2,159,639
Cash on hand	<u>330</u>

Total deposits and investments **\$ 2,159,969**

CITY OF MACKINAC ISLAND

NOTES TO FINANCIAL STATEMENTS

Investment and deposit risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. The City's investment policy does not have specific limits in excess of state law on investment credit risk. The City has no investments for which ratings are required.

Custodial credit risk deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require and the City does not have a policy for deposit custodial credit risk. As of year end, approximately \$1.3 million of the City's bank balance of \$1.6 million was exposed to custodial credit risk because it was uninsured and uncollateralized.

The City is authorized by statute to invest surplus funds in the following:

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts or a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940, limited to mutual fund securities whose intention is to maintain a net asset value of \$1.00 per share.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

The City Council is authorized to designate depositories for City funds, and to determine that the funds are invested in accordance with State of Michigan statutory authority.

The City's deposits are in accordance with statutory authority.

CITY OF MACKINAC ISLAND

NOTES TO FINANCIAL STATEMENTS

B. Receivables

The composition of receivables is as follows as of March 31, 2008:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Accounts receivable	\$ 6,061	\$ 77,957
Taxes receivable	74,221	8,259
Due from other governmental units	4,615	-
Impact fees due within one year	-	26,810
Impact fees due in greater than one year	<u>-</u>	<u>196,218</u>
Total receivables	<u>\$ 84,897</u>	<u>\$ 309,244</u>

C. Capital assets

Capital assets activity was as follows for the year ended March 31, 2008:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated – land	\$ <u>18,180</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>18,180</u>
Capital assets being depreciated				
Buildings	5,254,247	195,679	(78,000)	5,371,926
Equipment	690,817	24,810	-	715,627
Infrastructure	1,350,286	105,308	-	1,455,594
Book collection	<u>32,943</u>	<u>5,006</u>	<u>-</u>	<u>37,949</u>
Total capital assets being depreciated	<u>7,328,293</u>	<u>330,803</u>	<u>(78,000)</u>	<u>7,581,096</u>

CITY OF MACKINAC ISLAND

NOTES TO FINANCIAL STATEMENTS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less accumulated depreciation on				
Buildings	\$ (1,487,559)	\$ (130,056)	\$ 41,600	\$ (1,576,015)
Equipment	(185,630)	(45,511)	-	(231,141)
Infrastructure	(253,285)	(34,854)	-	(288,139)
Book collection	<u>(19,494)</u>	<u>(7,733)</u>	<u>-</u>	<u>(27,227)</u>
Total accumulated depreciation	<u>(1,945,968)</u>	<u>(218,154)</u>	<u>41,600</u>	<u>(2,122,522)</u>
Total capital assets being depreciated, net	<u>5,382,325</u>	<u>112,649</u>	<u>(36,400)</u>	<u>5,458,574</u>
Governmental activities capital assets, net	<u>\$ 5,400,505</u>	<u>\$ 112,649</u>	<u>\$ (36,400)</u>	<u>\$ 5,476,754</u>
Business-type activities				
Capital assets being depreciated				
Buildings	\$ 1,100,001	\$ -	\$ -	\$ 1,100,001
Water and sewer system	19,134,145	24,540	-	19,158,685
Machinery and equipment	<u>3,124,591</u>	<u>144,195</u>	<u>(120,075)</u>	<u>3,148,711</u>
Total capital assets being depreciated	<u>23,358,737</u>	<u>168,735</u>	<u>(120,075)</u>	<u>23,407,397</u>
Less accumulated depreciation for				
Buildings	(475,598)	(31,374)	-	(506,972)
Water and sewer system	(8,371,020)	(477,502)	-	(8,848,522)
Machinery and equipment	<u>(2,011,000)</u>	<u>(132,073)</u>	<u>-</u>	<u>(2,143,073)</u>
Total accumulated depreciation	<u>(10,857,618)</u>	<u>(640,949)</u>	<u>-</u>	<u>(11,498,567)</u>
Business-type activities capital assets, net	<u>\$ 12,501,119</u>	<u>\$ (472,214)</u>	<u>\$ (120,075)</u>	<u>\$ 11,908,830</u>

CITY OF MACKINAC ISLAND

NOTES TO FINANCIAL STATEMENTS

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities

General government	\$ 69,720
Public safety	75,036
Public works	33,776
Health and welfare	12,722
Highways and streets	1,097
Recreation and culture	<u>25,803</u>

Total depreciation expense – governmental activities \$ 218,154

Business-type activities

Water	\$ 265,039
Sewer	245,214
Landfill	<u>130,696</u>

Total depreciation expense – business-type activities \$ 640,949

D. Accounts Payable and Accrued Expenses

The composition of accounts payable and accrued expenses is as follows at March 31, 2008:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Accounts payable	\$ 66,691	\$ 135,566
Accrued expenses	<u>14,337</u>	<u>21,878</u>
Total accounts payables and accrued expenses	<u><u>\$ 81,028</u></u>	<u><u>\$ 157,444</u></u>

CITY OF MACKINAC ISLAND

NOTES TO FINANCIAL STATEMENTS

E. Interfund Receivables, Payables and Transfers

Interfund balances consisted of the following as of March 31, 2008:

<u>Receivable fund</u>	<u>Payable fund</u>		<u>Total</u>
	<u>DPW</u>	<u>Nonmajor Governmental Fund</u>	
General	\$ 16,261	\$ 1,971	\$ 18,232
Nonmajor			
Governmental	<u>-</u>	<u>2,644</u>	<u>2,644</u>
Total	<u>\$ 16,261</u>	<u>\$ 4,615</u>	<u>\$ 20,876</u>

<u>Transfers out</u>	<u>Transfers in Nonmajor Governmental Funds</u>
General Fund	\$ 334,097
Nonmajor governmental funds	<u>23,520</u>
Total	<u>\$ 357,616</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers are used to (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them, (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF MACKINAC ISLAND

NOTES TO FINANCIAL STATEMENTS

F. Long-term Debt

A summary of long-term debt and transactions related thereto is as follows for the year ended March 31, 2008:

	<u>Balance April 1, 2007</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance March 31, 2008</u>	<u>Due Within 1 Year</u>
Governmental activities					
Fire truck installment loan payable to National City Bank due in annual installments of \$41,830 including interest charged at 2.99% through fiscal 2014.	\$ 239,246	\$ -	\$ (33,959)	\$ 205,287	\$ 35,076
1997 Building Authority Bonds payable to First National Bank of St. Ignace, due in annual principal installments ranging from \$60,000 to \$75,000, interest ranging from 4.85% - 4.95% due in semi-annual installments through fiscal 2010.	205,000	-	(65,000)	140,000	65,000
1999 Michigan Transportation Fund Bonds payable to Michigan Transportation Fund, due in annual principal installments ranging from \$15,000 to \$20,000, interest ranging from 4.9% - 5.1% due in semi-annual installments through fiscal 2011.	80,000	-	(20,000)	60,000	20,000

CITY OF MACKINAC ISLAND

NOTES TO FINANCIAL STATEMENTS

	<u>Balance April 1, 2007</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance March 31, 2008</u>	<u>Due Within 1 Year</u>
Accrued compensated absences.	\$ 26,166	\$ -	\$ (621)	\$ 25,545	\$ -
Total governmental activities	<u>550,412</u>	<u>-</u>	<u>(119,580)</u>	<u>430,832</u>	<u>120,076</u>
Business-type activities					
4.5% to 5.0% revenue refunding bonds series 2006, due in annual principal installments ranging from \$80,000 to \$210,000, interest due in semi-annual installments through fiscal 2028.	2,920,000	-	(85,000)	2,835,000	90,000
4.35% Act 99 Installment Purchase Agreement due in monthly principal and interest installments of \$4,070; final payment due May 2015.	-	329,500	(29,232)	300,268	36,503
4.5% lease obligation due in monthly installments of principal and interest of \$1,773; final payment due October 2011.	<u>-</u>	<u>113,145</u>	<u>(8,603)</u>	<u>104,542</u>	<u>16,921</u>
Total business-type activities	<u>2,920,000</u>	<u>442,645</u>	<u>(122,835)</u>	<u>3,239,810</u>	<u>143,424</u>
Total long-term debt	<u>\$3,470,412</u>	<u>\$ 442,645</u>	<u>\$ (242,415)</u>	<u>\$3,670,642</u>	<u>\$ 263,500</u>

For the governmental activities, compensated absences are generally liquidated by the general fund.

CITY OF MACKINAC ISLAND

NOTES TO FINANCIAL STATEMENTS

Annual debt service requirements to maturity for the above obligations except for the liability for accrued compensated absences is as follows:

	Governmental activities		Business-type activities	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 120,076	\$ 14,589	\$ 143,424	\$ 154,272
2010	131,230	8,981	145,820	147,826
2011	57,422	4,918	153,326	141,271
2012	38,653	3,177	192,995	133,686
2013	39,925	1,905	148,427	126,124
2014-2018	17,981	592	720,818	527,905
2019-2023	-	-	780,000	356,711
2024-2028	-	-	955,000	143,750
	<u>\$ 405,287</u>	<u>\$ 34,162</u>	<u>\$ 3,239,810</u>	<u>\$1,731,545</u>

Total interest expense for the City for the year was approximately \$170,000.

The City's Sanitary Sewage Disposal and Water Supply System Revenue Refunding Bonds, Series 2006 include the following covenants:

- (1) To maintain an operations and maintenance account equal to the succeeding fiscal quarters expenses for administration, operation and maintenance of the system.
- (2) To maintain a Bond Redemption Fund with a balance equal to 50% of the interest due on the next interest payment date plus 25% of the next principal payment due. This balance, however, should not exceed 100% of the next principal and interest account.
- (3) By March 31, 2008, the City shall have a bond reserve account with a balance of the lesser of 1) the maximum annual debt service of the bond; 2) 125% of the average annual debt service; or 3) 10% of the principal amount outstanding.

As of March 31, 2008, the City's Enterprise Fund reserve requirements were met.

CITY OF MACKINAC ISLAND

NOTES TO FINANCIAL STATEMENTS

G. Capital Project Fund Designated Fund Balances

The composition of Capital Project Fund designated fund balances is as follows as of March 31, 2008:

Designated for

City Hall and Fire Hall	\$ 69,790
Community Hall	28,838
Boardwalk	169,689
Fire Truck	44,503
Buildings	17,926
Library Building Maintenance	20,672
Courthouse	36,720
Stuart House Maintenance	14,726
Restroom Maintenance	17,791
Housing	17,788
Road Improvements	<u>13,988</u>

Total	<u>\$ 452,431</u>
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H. Prior Period Adjustment

Net assets in the DPW Enterprise Fund have been decreased by \$120,075 to reflect the correction of an error in recording capital assets as of March 31, 2007.

I. Commitment – St. Martin’s Place

The City began construction improvements on St. Martin’s Place (old medical center) during fiscal 2008. The project is anticipated to cost \$500,000. The project was completed in July 2008 and approximately \$250,000 was paid on this project subsequent to year end.

CITY OF MACKINAC ISLAND

NOTES TO FINANCIAL STATEMENTS

4. OTHER INFORMATION

Risk Management and Litigation

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which it obtains coverage from commercial insurance companies. The City has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

SUPPLEMENTARY INFORMATION

CITY OF MACKINAC ISLAND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES BUDGET AND ACTUAL GENERAL FUND

FOR THE YEAR ENDED MARCH 31, 2008

	Original Budget	Final Amended Budget	Actual	Variance With Final Amended Budget Positive (Negative)
Legislative				
City council	\$ 49,900	\$ 51,736	\$ 50,311	\$ 1,425
General government				
Elections	3,730	4,395	4,491	(96)
Professional services	176,000	190,000	190,487	(487)
Assessor	40,791	37,729	38,392	(663)
Clerk	31,000	29,092	28,149	943
Treasurer	30,900	28,770	28,914	(144)
Board of review	500	-	-	-
City hall and other property	88,200	96,052	96,540	(488)
Total general government	371,121	386,038	386,973	(935)
Public safety				
Police department	468,300	491,053	464,005	27,048
Fire department	62,300	81,768	47,038	34,730
Ambulance	31,500	37,429	37,428	1
Traffic greeters	32,000	46,372	46,369	3
Medical center	15,000	15,000	15,000	-
Total public safety	609,100	671,622	609,840	61,782
Public works				
Street lighting	10,000	15,500	15,043	457
Other	365,295	522,142	490,335	31,807
Total public works	375,295	537,642	505,378	32,264
Culture and recreation				
Recreation department	46,587	42,947	42,775	172
Parks	5,500	11,532	11,530	2
Total culture and recreation	52,087	54,479	54,305	174

Continued...

CITY OF MACKINAC ISLAND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES BUDGET AND ACTUAL GENERAL FUND

FOR THE YEAR ENDED MARCH 31, 2008

	Original Budget	Final Amended Budget	Actual	Variance With Final Amended Budget Positive (Negative)
Other functions				
Insurance	\$ 219,400	\$ 178,283	\$ 189,066	\$ (10,783)
Other	13,021	192,383	-	192,383
Total other functions	232,421	370,666	189,066	181,600
Total expenditures	1,689,924	2,072,183	1,795,873	276,310
Transfers				
Transfers out	(395,586)	(338,124)	(334,096)	4,028
Total expenditures and transfers	\$ 2,085,510	\$ 2,410,307	\$ 2,129,969	\$ 272,282
				Concluded

CITY OF MACKINAC ISLAND
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

MARCH 31, 2008

	Special Revenue Funds	Debt Service Funds	Capital Projects Fund	Permanent Trust Fund	Total
ASSETS					
Cash and cash equivalents	\$ 26,393	\$ -	\$ 401,605	\$ 168,829	\$ 596,827
Taxes receivable	-	3,733	826	-	4,559
Due from other funds	2,644	-	-	-	2,644
Due from other governmental units	4,615	-	-	-	4,615
Restricted cash and cash equivalents	16,030	65,669	-	-	81,699
Restricted investments	84,357	-	50,000	-	134,357
Total assets	\$ 134,039	\$ 69,402	\$ 452,431	\$ 168,829	\$ 824,701
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 47	\$ -	\$ -	\$ -	\$ 47
Accrued expenses	2,596	-	-	-	2,596
Due to other funds	4,615	-	-	-	4,615
Total liabilities	7,258	-	-	-	7,258
Fund balances					
Reserved					
Capital outlay	100,387	-	-	-	100,387
Debt service	-	69,402	-	-	69,402
Perpetual care	-	-	-	168,829	168,829
Unreserved					
Designated	-	-	452,431	-	452,431
Undesignated	26,394	-	-	-	26,394
Total fund balances	126,781	69,402	452,431	168,829	817,443
Total liabilities and fund balances	\$ 134,039	\$ 69,402	\$ 452,431	\$ 168,829	\$ 824,701

CITY OF MACKINAC ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED MARCH 31, 2008

	Special Revenue Funds	Debt Service Funds	Capital Project Fund	Permanent Trust Fund	Total
Revenues					
Taxes	\$ -	\$ 83,318	\$ 18,460	\$ -	\$ 101,778
Federal revenue	1,008	-	-	-	1,008
State revenue	158,643	-	-	-	158,643
Charges for services	25,854	-	-	15,300	41,154
Fines and forfeits	6,567	-	-	-	6,567
Interest and dividends	5,567	1,963	22,043	7,313	36,886
Contributions	10,643	-	-	-	10,643
Total revenues	208,282	85,281	40,503	22,613	356,679
Expenditures					
General government	13,052	-	-	-	13,052
Public works	404,475	-	-	-	404,475
Culture and recreation	58,465	-	-	-	58,465
Capital improvements	-	-	105,308	-	105,308
Debt service					
Principal payments	-	118,959	-	-	118,959
Interest and paying agent fees	-	19,865	-	-	19,865
Total expenditures	475,992	138,824	105,308	-	720,124
Revenues over (under) expenditures	(267,710)	(53,543)	(64,805)	22,613	(363,445)
Transfers					
Transfers in	292,266	65,350	-	-	357,616
Transfers out	(23,520)	-	-	-	(23,520)
Total transfers	268,746	65,350	-	-	334,096
Net change in fund balances	1,036	11,807	(64,805)	22,613	(29,349)
Fund balances, beginning of year	125,745	57,595	517,236	146,216	846,792
Fund balances, end of year	\$ 126,781	\$ 69,402	\$ 452,431	\$ 168,829	\$ 817,443

CITY OF MACKINAC ISLAND

COMBINING BALANCE SHEET SPECIAL REVENUE FUNDS

MARCH 31, 2008

	Major Streets	Local Streets	Library
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ 26,393
Due from other funds	-	-	809
Due from other governmental units	3,032	1,583	-
Restricted cash and cash equivalents	-	-	16,030
Restricted investments	-	-	84,357
Total assets	\$ 3,032	\$ 1,583	\$ 127,589
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ -	\$ -	\$ 47
Accrued expenses	-	-	761
Due to other funds	3,032	1,583	-
Total liabilities	3,032	1,583	808
Fund balances			
Reserved - capital outlay	-	-	100,387
Unreserved - undesignated	-	-	26,394
Total fund balances	-	-	126,781
Total liabilities and fund balances	\$ 3,032	\$ 1,583	\$ 127,589

Cemetery	Engineering Department	Total
\$ -	\$ -	\$ 26,393
-	1,835	2,644
-	-	4,615
-	-	16,030
-	-	84,357

\$ -	\$ 1,835	\$ 134,039
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\$ -	\$ -	\$ 47
-	1,835	2,596
-	-	4,615

-	1,835	7,258
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-	-	100,387
-	-	26,394

-	-	126,781
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\$ -	\$ 1,835	\$ 134,039
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CITY OF MACKINAC ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED MARCH 31, 2008

	Major Streets	Local Streets	Library
Revenues			
State revenue	\$ 142,546	\$ 15,721	\$ 376
Federal revenue	-	-	1,008
Charges for services	-	-	9,862
Fines and forfeits	-	-	6,567
Interest and dividends	-	-	5,567
Contributions	-	-	10,643
Total revenues	142,546	15,721	34,023
Expenditures			
General government	-	-	-
Public works	175,084	145,710	-
Culture and recreation	-	-	58,465
Total expenditures	175,084	145,710	58,465
Revenues (under) over expenditures	(32,538)	(129,989)	(24,442)
Other financing sources (uses)			
Transfers in	56,058	129,989	25,478
Transfers out	(23,520)	-	-
Total other financing sources	32,538	129,989	25,478
Net change in fund balances	-	-	1,036
Fund balances, beginning of year	-	-	125,745
Fund balances, end of year	\$ -	\$ -	\$ 126,781

Cemetery	Engineering Department	Total
\$ -	\$ -	\$ 158,643
-	-	1,008
-	15,992	25,854
-	-	6,567
-	-	5,567
-	-	10,643
-	15,992	208,282
13,052	-	13,052
-	83,681	404,475
-	-	58,465
13,052	83,681	475,992
(13,052)	(67,689)	(267,710)
13,052	67,689	292,266
-	-	(23,520)
13,052	67,689	268,746
-	-	1,036
-	-	125,745
\$ -	\$ -	\$ 126,781

CITY OF MACKINAC ISLAND

COMBINING BALANCE SHEET DEBT SERVICE FUNDS

MARCH 31, 2008

	1997 Building Authority Bonds	1999 Michigan Transportation Fund Bond	2004 Fire Truck	Total
ASSETS				
Taxes receivable	\$ 3,733	\$ -	\$ -	\$ 3,733
Restricted cash and cash equivalents	65,669	-	-	65,669
Total assets	\$ 69,402	\$ -	\$ -	\$ 69,402
LIABILITIES AND FUND BALANCES				
Fund balances - reserved	\$ 69,402	\$ -	\$ -	\$ 69,402

CITY OF MACKINAC ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES DEBT SERVICE FUNDS

FOR THE YEAR ENDED MARCH 31, 2008

	1997 Building Authority Bonds	1999 Michigan Transportation Fund Bond	2004 Fire Truck	Total
Revenues				
Taxes	\$ 83,318	\$ -	\$ -	\$ 83,318
Interest and dividends	1,963	-	-	1,963
Total revenues	85,281	-	-	85,281
Expenditures				
Principal payments	65,000	20,000	33,959	118,959
Interest and paying agent fees	8,474	3,520	7,871	19,865
Total expenditures	73,474	23,520	41,830	138,824
Revenues under expenditures	11,807	(23,520)	(41,830)	(53,543)
Transfers				
Transfers in	-	23,520	41,830	65,350
Net change in fund balance	11,807	-	-	11,807
Fund balances, beginning of year	57,595	-	-	57,595
Fund balances, end of year	\$ 69,402	\$ -	\$ -	\$ 69,402

CITY OF MACKINAC ISLAND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES TAX COLLECTION AGENCY FUND

FOR THE YEAR ENDED MARCH 31, 2008

	Balance April 1, 2007	Additions	(Deductions)	Balance March 31, 2008
ASSETS				
Cash and cash equivalents	<u>\$ 10,541</u>	<u>\$ 5,177,606</u>	<u>\$ (5,173,751)</u>	<u>\$ 14,396</u>
LIABILITIES				
Due to other funds	\$ 4,508	\$ 1,710,283	\$ (1,706,382)	\$ 8,409
Due to other governmental units	<u>6,033</u>	<u>3,467,323</u>	<u>(3,467,369)</u>	<u>5,987</u>
Total liabilities	<u>\$ 10,541</u>	<u>\$ 5,177,606</u>	<u>\$ (5,173,751)</u>	<u>\$ 14,396</u>

CITY OF MACKINAC ISLAND

SCHEDULE OF INDEBTEDNESS

MARCH 31, 2008

	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Amount Outstanding March 31, 2008</u>	<u>Interest Payable if Held to Maturity</u>
Governmental activities bonds					
1997 Building Authority Bond	\$ 630,000	4.90%	6/01/08	\$ 65,000	\$ 5,305
Payments due		4.95	6/01/09	<u>75,000</u>	<u>1,856</u>
Principal and interest - June 1					
Interest only - December 1				<u>140,000</u>	<u>\$ 7,161</u>
1999 Michigan Transportation Fund Bond	\$ 170,000	5.00%	08/01/08	20,000	\$ 2,530
Payments due		5.05	08/01/09	20,000	1,525
Principal and interest - August 1		5.10	08/01/10	<u>20,000</u>	<u>510</u>
Interest only - February 1				<u>60,000</u>	<u>\$ 4,565</u>
Total governmental activities bonded indebtedness				<u>200,000</u>	

Continued...

CITY OF MACKINAC ISLAND

SCHEDULE OF INDEBTEDNESS

MARCH 31, 2008

	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Amount Outstanding March 31, 2008</u>	<u>Interest Payable if Held to Maturity</u>
Business-type activities					
Sanitary Sewage Disposal and Water	\$ 3,000,000	4.50%	03/01/09	\$ 90,000	\$ 137,575
Supply System Revenue Refunding		4.50	03/01/10	90,000	133,525
Bonds, Series 2006		4.50	03/01/11	95,000	129,475
Payments due		4.50	03/01/12	100,000	125,200
Principal and interest - March 1		4.75	03/01/13	105,000	120,700
Interest only - September 1		4.75	03/01/14	110,000	115,713
		4.75	03/01/15	115,000	110,487
		4.75	03/01/16	125,000	105,025
		5.00	03/01/17	130,000	99,087
		5.00	03/01/18	140,000	92,587
		5.00	03/01/19	140,000	85,587
		4.75	03/01/20	145,000	78,587
		4.75	03/01/21	155,000	71,700
		4.75	03/01/22	165,000	64,337
		5.00	03/01/23	175,000	56,500
		5.00	03/01/24	180,000	47,750
		5.00	03/01/25	190,000	38,750
		5.00	03/01/26	200,000	29,250
		5.00	03/01/27	210,000	19,250
		5.00	03/01/28	175,000	8,750
Total business-type activities bonded indebtedness				<u>2,835,000</u>	<u>\$ 1,669,835</u>
Total bonded indebtedness				<u>\$ 3,035,000</u>	
Governmental activities notes payable					
2003 Fire truck loan	336,286	2.99%	10/31/08	\$ 35,076	\$ 6,754
		2.99	10/31/09	36,230	5,600
Principal and interest - October 31		2.99	10/31/10	37,422	4,408
Interest only - January 31		2.99	10/31/11	38,653	3,177
		2.99	10/31/12	39,925	1,905
		2.99	10/31/13	17,981	592
				<u>\$ 205,287</u>	<u>\$ 22,436</u>

Continued...

CITY OF MACKINAC ISLAND

SCHEDULE OF INDEBTEDNESS

MARCH 31, 2008

	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Amount Outstanding March 31, 2005</u>	<u>Interest Payable if Held to Maturity</u>
Business-type activities notes and lease payable					
Act 99 Installment Purchase	\$ 329,500	4.35%	2009	\$ 36,503	\$ 12,340
Agreement - Membrane		4.35	2010	38,123	10,720
Replacement Project		4.35	2011	39,815	9,028
Payments due		4.35	2012	41,582	7,261
Principal and interest -		4.35	2013	43,427	5,424
Fourth day of each month		4.35	2014	45,354	3,488
		4.35	2015	47,367	1,475
		4.35	2016	8,097	43
				<u>300,268</u>	<u>\$ 49,779</u>
John Deer Lease Payable - Loader	113,145	4.50%	2009	\$ 16,921	\$ 4,357
Payments due		4.50	2010	17,697	3,581
Principal and interest		4.50	2011	18,511	2,768
Tenth day of each month		4.50	2012	51,413	1,225
Total business type activity notes and lease payable				<u>\$ 104,542</u>	<u>\$ 11,931</u>
Total notes and lease payable				<u>\$ 610,097</u>	

Concluded